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Welcome to Africa: the Global Economy's Newest Investment Frontier

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When the G-8 leaders met in Germany last week to discuss the challenges facing the global economy, Africa was once again on the agenda. However, this time, the focus was not on increasing aid resources, but on promoting investment for the Continent. The timing could not be more propitious.

After decades of stagnation, Sub-Saharan Africa is in the midst of its strongest economic expansion since independence, registering positive growth since 1998. Thanks to significant debt relief initiatives, several countries have been able to clean up their balance sheets, and more importantly, are implementing sound fiscal policies to keep the red ink from returning, with the average budget surplus to GDP ratio at 3.2% in 2006.

International investors have begun to take notice. For instance, last week, Renaissance Capital, an investment bank serving emerging markets, announced plans to double its investment in Africa to at least \$1 billion.

Yet, as Africans know only too well, realizing the promise of this opportunity will not be easy. Historically, Africa has attracted less than 2% of the world's investment flows despite having more than 10% of its population. Changing this dynamic will require concerted efforts on the part of many players - both public and private.

President Bush recognized this need when he announced the African Financial Sector Initiative last week. This bold effort will combine technical assistance from the U.S. Treasury Department and USAID to improve the investment climate with efforts by the Overseas Private Investment Corporation (OPIC) to mobilize up to \$1 billion in additional capital investment targeted at critical gaps in the Continent's financial infrastructure.

This is not a new role for us. OPIC is the U.S. government agency responsible for promoting social and economic growth through U.S. private sector investment. The agency's history over the past thirty six years illustrates America's commitment to private sector investment as a tool for economic and social development. Projects supported by OPIC are expanding economic development and job creation, encouraging political stability and fostering free market reforms throughout the world and in Africa in particular.

Today, OPIC is providing almost \$2 billion in investment support to projects on the Continent, including financing for critical infrastructure, the burgeoning telecommunications market, financial services, and housing. In fact, OPIC projects are supporting the building of more than 120,000 housing units in Africa, and more importantly, the development of a modern African mortgage market, a goal that President Bush announced during his visit to Africa in 2003. For instance, work began recently on a 5,000 unit development in Zambia that will offer affordable, high quality homes to middle income Zambians, financed through a 15 year mortgage, a product that did not previously exist in the country.

OPIC has also helped pioneer the development of Africa's nascent private equity market. Currently, OPIC is supporting four private investment funds in Africa, which are investing in sectors as diverse as financial

services, power, transportation, agribusiness and telecommunications. In total, OPIC has committed more than \$300 million to these funds, which will leverage that funding to raise more than \$1.5 billion in private capital for nearly \$2 billion in total investment.

President Bush's initiative builds on this success. OPIC will seek fund managers to raise capital for two new types of funds for the Continent. The first will deepen and strengthen Africa's capital markets by providing new financial instruments and services currently not available to African businesses. The second will partner with investors interested in high impact, developmental investments that have a social as well as a financial return. These could include investments in small and medium enterprises, healthcare delivery, water infrastructure, and education.

There is still much to do for Africa to realize its potential as a destination for international investment. Macro-economic policies responsible for the Continent's recent economic success must be maintained, bureaucratic obstacles to business start-up and expansion must be eliminated, and efforts to combat the corruption that has plagued the Continent must be stepped up. Only Africans and their governments can take these critical actions, but the G-8 can support them with innovative initiatives like that announced by President Bush. Together, we can turn today's moment of promise of investment into a flow of capital for years to come.